Washington Times
June 27, 2005

Embargo Needed on CAFTA Myths

By Donald Lambro

Economic myths fly fast and furious on Capitol Hill as congressional debate heats to the boiling point over the Central American free trade bill.

Perhaps the worst myth spread by Democratic leaders, labor unions, and textile and sugar industry opponents of the free trade agreement with the Dominican Republic and five Central American countries (known as DR-CAFTA) is it will undermine the U.S. economy.

This was the same old argument used against the North American Free Trade Agreement (NAFTA) when Ross Perot warned it would lead to "a huge sucking sound" of U.S. jobs going to Mexico.

But after Congress enacted that deal, the U.S. economy did not implode and jobs here did not decline. To the contrary, in 1993-2003, the number of American jobs grew nearly 18 million and the size of our economy grew 38 percent.

Moreover, made-in-America exports to Mexico and Canada jumped from $134.3 billion to $250.6 billion in this time. Despite the decline in manufacturing jobs as mechanization and new technology found ways to produce more with fewer workers, U.S. manufacturing output actually rose 41 percent. In other words, we are making and selling more stuff than ever.

NAFTA did not hurt our economy. It helped the economy grow. Today, we have a historically low 5 percent unemployment rate and an economy growing at a strong and sustainable 3½ percent yearly.

I recently wrote about CAFTA, but it demands to be revisited as the debate begins, because so many other social and economic issues are related to it: The future impact of the global economy on poorer Third World countries, as well as the quality of life in America as we seek and expand free-trade deals throughout Latin America, Asia and Africa.

Many myths spread by CAFTA opponents were addressed last week, and debunked, in a brilliant study by Daniella Markheim, Heritage Foundation senior trade analyst. It should be required reading for all members of Congress before voting.

"Freer trade stimulates growth, improves investment and job opportunities, and leads to rising living standards. Under DR-CAFTA, farmers, manufacturers, banks and other service providers will become more competitive, have access to new markets, and benefit from stronger protection of property rights," Miss Markheim writes.

And demonstrates this point by point in her paper. Take jobs, for example. U.S. textile manufacturers oppose DR-CAFTA because they fear it will force them to compete with low-wage countries. But under the Caribbean Basin Initiative (CBI) of 1983, "apparel manufacturers in Central America are required by the CBI to use U.S. fabric and yarn in their products in order to qualify for duty-free access to the U.S. market," she reports.

"By strengthening the relationship between U.S. textile producers and Central American apparel firms, DR-CAFTA will make the region as a whole better able to compete with Asia, supporting continued U.S. textile exports and jobs," Miss Markheim says. She further notes that under CBI rules, these countries "have been receiving preferential trade access for most of their goods entering the U.S. Thus, any job losses associated with lowering tariffs on products from Central America have already occurred."

By further lowering or eliminating remaining trade barriers between us, the six DR-CAFTA countries will be opened to increased U.S. goods and financial services and that will help our economy support better-paying U.S. jobs.

We have heard a lot of demagoguery about outsourcing and critics say this deal will accelerate that trend. Not so.

The Organization for International Investment tells us the number of manufacturing jobs in-sourced to the United States increased 82 percent in the last 15 years -- from foreign firms building plants here to take advantage of a highly skilled labor force and huge consumer market.

Over this same period, jobs lost to outsourcing rose only 23 percent, Miss Markheim says. The biggest factor behind U.S. outsourcing has been tax and regulatory burdens on marginally productive businesses. Reducing those burdens would keep more of those firms here at home.

Fair free trade really is a two-way street. Yes, South Carolina has lost some textile jobs "as a result of technological advancement and trade adjustment," but it has "gained higher-paying jobs at the new factories of BMW, Daimler-Chrysler and China's leading electronics manufacturer."

Elsewhere, Toyota can't build plants here fast enough to satisfy consumer demand -- for fuel-efficient cars built, shipped, sold and serviced by better-paid American workers.

No doubt many more economic myths will be spread about DR-CAFTA before this debate is over and the votes cast, but the facts tell a far different story.

Free trade is not the enemy of economic growth and better-paying jobs. It is the global engine driving the American economy to increased prosperity. That's why 102 House Democrats voted for NAFTA in 1993, including Nancy Pelosi, now the Democratic leader.

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